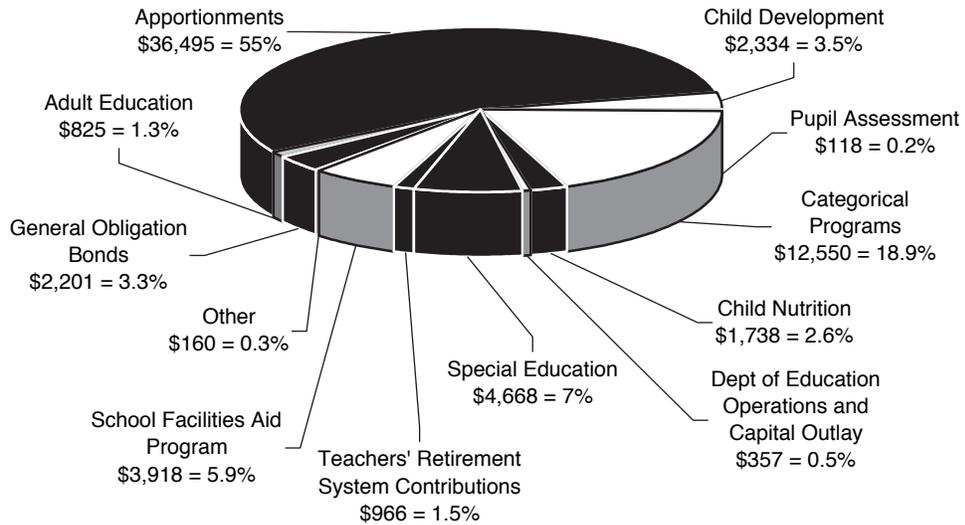


K THRU 12 EDUCATION

Kindergarten through twelfth grade (K-12) education programs provide a variety of academic and support services primarily to pupils between the ages of three and nineteen. The programs equip California's young people with the skills to become successful adults, achieve career goals, obtain gainful employment and pursue higher education. The services include standards-based academic instruction, special education, vocational and career preparatory programs, child care and development, teacher recruitment and development and adult education and remedial instruction, among other services.

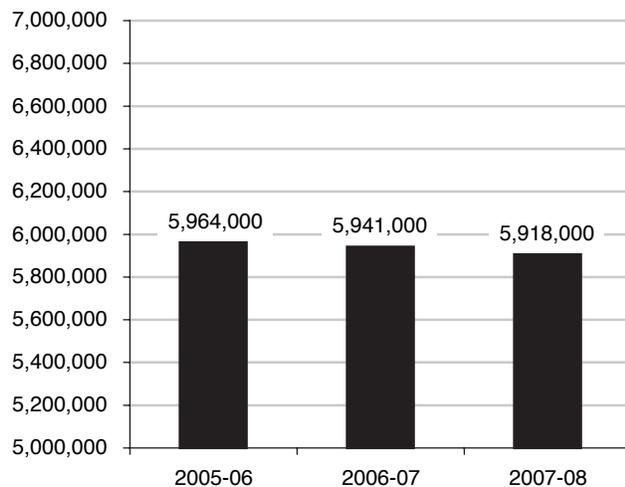
The Budget includes \$66.3 billion (\$40.5 billion General Fund and \$25.8 billion other funds) for K-12 education programs. This reflects an increase of \$2.8 billion (\$495.4 million General Fund and \$2.3 billion other funds) or 4.4 percent over the revised 2006-07 budget. The funding by program proposed for K-12 education is shown in Figure K12-01. More notable funding changes are further described below.

Figure K12-01
Proposed K-12 Education Expenditures for 2007-08
All Funds by Program
(Dollars in Millions)



As a result of a steady decline in birth rates throughout the 1990s, attendance growth in public schools is declining (see Figure K12-02). For the current year, K-12 average daily attendance (ADA) is estimated to be 5,941,000, a decrease of 23,000 or 0.39 percent from the 2005-06 fiscal year. For the budget year, the Administration estimates K-12 ADA will decrease by an additional 23,000 or 0.39 percent to 5,918,000.

Figure K12-02
K-12 Average Daily Attendance



MAJOR ACCOMPLISHMENTS IN 2006-07

In its 2006-07 Budget, California made historic investments in the education of its children. The Budget contained significant increases in funding for California's schools, including \$534 million in discretionary block grants for school districts and school sites. Total funding increased by nearly \$3 billion to the highest level in state history. The state will provide \$2.9 billion to K-12 schools and community colleges in a settlement agreement to reconcile the Proposition 98 calculation. The 2006-07 Budget fully funded cost-of-living adjustments, provided \$957 million to fund K-12 education mandated costs, including paying prior-year claims and increased general purpose revenue limit funding by \$2.3 billion, which included eliminating the deficit factor and providing \$350 million for equalization.

Initiatives implemented in 2006-07 include the following:

CAREER TECHNICAL EDUCATION

The Budget contained \$100 million for public schools and community colleges, including \$20 million in ongoing funding, to support career technical education (CTE) programs. Funding is designed to support collaborative efforts between the community colleges and K-12 CTE programs. The activities in this program (sequencing and articulation of courses, curriculum development and course expansions) are intended to reinvigorate CTE programs so students will have the skills necessary to effectively compete in a global economy. The Budget also provided one-time funding of \$80 million to K-14 public schools (\$40 million) and community colleges (\$40 million) for the purchase of CTE equipment and materials. (See additional detail in Higher Education Chapter.)

ARTS AND MUSIC BLOCK GRANT

The Budget provided \$105 million in ongoing funding to restore and expand the number of high-quality art and music courses offered in the schools. The Arts and Music Block Grant program will support standards-aligned instruction through activities such as hiring additional staff, implementing or increasing staff development opportunities and purchasing materials, books, supplies and equipment. The Budget included a one-time \$500 million grant to allow schools to purchase arts, music and/or physical education supplies, equipment and professional development.

PHYSICAL EDUCATION GRANTS

In an ongoing effort to address the widespread incidence of obesity and physical inactivity in school children, the Budget included \$40 million to provide physical education (PE) incentive grants for elementary and middle schools. These grants will be used to hire additional credentialed PE teachers to increase the quality of PE instruction.

K THRU 12 EDUCATION

SCHOOL COUNSELORS

The Budget included \$200 million in ongoing funding to increase the number of school counselors serving seventh through twelfth grade students. These funds will be used to inform students about educational and career options and help them stay on track to complete high school graduation requirements and pass the California High School Exit Examination.

TARGETED PRESCHOOL INITIATIVE

The Budget provided \$50 million to expand preschool opportunities for four-year olds residing near low-performing schools. This funding will implement provisions of Chapter 211, Statutes of 2006 (AB 172), that include quality reforms designed to promote family literacy. To address facility needs for preschool expansion, the Budget provided an increase of \$50 million in one-time funds for the Child Care Facilities Revolving Fund.

AFTER-SCHOOL PROGRAM

In 2002, California voters overwhelmingly approved Proposition 49 to significantly expand access to before- and after-school programs. Proposition 49 required that the After School Education and Safety Program be fully funded when state General Fund expenditures reached a certain level. Because this level of expenditures was reached in 2006-07, the Budget increased funding by \$428 million, from \$122 million to \$550 million annually. This program supports high quality after-school activities that provide elementary and middle school students with a safe and enriching environment during high risk periods of the day.

PROPOSITION 98 SETTLEMENT AGREEMENT

Chapter 751, Statutes of 2006 (SB 1133), provided \$2.9 billion as part of a settlement agreement related to Proposition 98 funding requirements. Resources provided by the settlement legislation include a \$2.6 billion investment in our lowest performing schools. This funding is paired with an accountability framework and a set of programmatic requirements aimed at improving student academic achievement. Participating schools will be required to reduce class sizes, ensure access to school counselors and experienced teachers, provide high quality professional development for teachers and achieve significant improvements in student academic achievement. The bill supports career technical education opportunities with a \$320 million investment in Community Colleges. These resources will expand career technical education opportunities and allow for the hiring of additional faculty to build these programs.

TEACHER CREDENTIALING REFORMS

The 2006-07 Budget provided \$22.7 million to implement the provisions contained in Chapter 517, Statutes of 2006 (SB 1209). The bill establishes a new mentoring program

for novice teachers in Academic Performance Index (API) deciles 1 to 3 schools, expands and enhances the Alternative Certification Program, requires an intensive evaluation of the Beginning Teacher Support and Assessment Program and creates six regional personnel management assistance teams to provide technical assistance in personnel management and teacher recruitment and retention practices. The initiative streamlines requirements for out-of-state teachers, strengthens teacher preparation pathways and requires the examination of any unnecessary roadblocks to credentialing, including duplicative examinations and other redundant requirements.

REDUCING CREDENTIALING PROCESSING BACKLOG

In order to resolve a backlog in applications that were well beyond the regulatory time limit of 75 days, the 2006-07 Budget redirected four existing professional positions in the Commission on Teacher Credentialing to create seven technical positions in its Credentialing, Assignments and Waivers Division. These positions have successfully reduced the backlog of more than 77,000 applications to just over 44,000 as of October 2006 and reduced the processing time to less than 75 days for both credential renewals and university recommended credentials for new teachers.

PROPOSED K-12 EDUCATION SPENDING FOR 2007-08

Change Table K12-01 illustrates the major changes proposed to K-12 education spending in the Governor's Budget.

Major workload adjustments for 2007-08 include the following:

- **Cost-of-Living Adjustment (COLA) Increases**—The Governor's Budget proposes a \$1.9 billion increase to fund a 4.04-percent statutory COLA: \$1.4 billion for revenue limits, \$133 million for special education, \$62.1 million for child care programs, \$49.6 million for class size reduction and \$277.9 million for various categorical programs.
- **School Facilities Funding Adjustments**—The Governor's Budget proposes a \$2.8 billion increase in 2006-07 and a \$3.8 billion increase in 2007-08 for school facilities. The largest portion of the increases is for the 2004 and 2006 School Facilities Bonds. In particular, the newly approved 2006 bond fund adds over \$3 billion in new funding for current and budget years.
- **Adjustments for Average Daily Attendance (ADA)**—The Governor's Budget proposes a \$286.4 million net reduction in 2007-08 to reflect the decline in ADA. The majority of this amount consists of a \$283.6 million reduction in school district and county

Change Table K12-01

K thru 12 Education Agency - Changes by Broad Categories

	2006-07			2007-08		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
2006 Budget Act	\$40,509,935	\$20,320,631	2,923.1	\$40,509,935	\$20,255,813	2,923.1
Workload Adjustments						
School Facilities Funding Adjustments	--	2,789,554	--	--	3,829,249	--
Local Property Tax Adjustments	-384,211	375,736	--	-1,583,251	1,581,991	--
Enrollment/Caseload/Population	-128,980	--	--	-286,424	--	--
Employee Compensation/Retirement	6,583	6,425	--	5,511	5,527	--
Statutory Cost-of-Living Adjustments	--	--	--	1,906,216	--	--
Expiring Programs or Positions	--	--	--	-1,865	-2,920	-20.1
One-Time Cost Reductions	--	--	--	-13,130	-275,659	-7.4
Other Workload Adjustments	-55,224	40,961	-27.9	548,750	38,391	-7.3
Totals, Workload Adjustments	-\$561,832	\$3,212,676	-27.9	\$575,807	\$5,176,579	-34.8
Policy Adjustments						
Charter School Facility Grant Program	--	--	--	43,887	--	--
Chief Business Officer Training	2,500	--	--	--	--	--
Encorps Teachers Program	10,000	--	--	--	--	--
Federal Forest Area Schools Loan	69,000	--	--	-69,000	--	--
High School Exit Exam Study Guides	--	--	--	5,000	--	--
Increase Proposition 98 Funds for CalWORKs Child Care	--	--	--	269,000	-269,000	--
Low-Performing School Enrichment Block Grant	50,000	--	--	--	--	--
Partnership for Success	--	--	--	1,500	--	--
Program Improvement Management System	--	--	--	1,000	--	--
Reduce Contributions to Supplemental Benefit Maintenance Account	--	--	--	-74,578	--	--
Fund Home-to-School Transportation from the Public Transportation Fund	--	--	--	-626,762	626,762	--
Other Policy Adjustments	-63,459	--	0.9	-124,214	2,316	9.8
Totals, Policy Adjustments	\$68,041	\$0	0.9	-\$574,167	\$360,078	9.8
Infrastructure Adjustments	\$0	\$15,062	--	\$0	\$26,656	--
Total Adjustments	-\$493,791	\$3,227,738	-27.0	\$1,640	\$5,563,313	-25.0
Governor's Budget	\$40,016,144	\$23,548,369	2,896.1	\$40,511,575	\$25,819,126	2,898.1

office of education revenue limit apportionments (general purpose funding for schools). Due to the decline in attendance, there is a \$129 million reduction in revenue limit apportionments for 2006-07.

- Local Property Tax Adjustments—For 2006-07 and 2007-08, the Governor’s Budget reflects General Fund decreases of \$375.7 million and \$1.6 billion, respectively. These revised estimates relate to school district and county office of education property tax revenues. In general, increases in local property tax revenues reduce the amount of state General Fund costs for revenue limit apportionments.

The major policy adjustments included in the Budget are discussed in Program Enhancements and Other Budget Adjustments.

PROGRAM ENHANCEMENTS AND OTHER BUDGET ADJUSTMENTS

The 2007-08 Governor’s Budget fully funds the Proposition 98 guarantee, as well as a number of new education initiatives, even while realizing General Fund savings in Proposition 98 and the California State Teachers’ Retirement System.

Demonstrating the Administration’s continuing commitment to improve California’s public schools, the Governor’s Budget proposes a number of new one-time and ongoing education initiatives. These proposals, along with the major education investments made by the Administration in the last three years, will continue to address the most pressing needs facing students and parents, including:

- Teacher shortages
- Transparent schoolsite information
- Career Technical Education
- Low-performing schools
- Preparing students to graduate from high school
- Improving student health

TOTAL FUNDING FOR K-12 EDUCATION

Total funding, including federal funding and local revenue, for K-12 education is projected to be \$68.6 billion. Figure K12-03 displays the revenue sources for schools.

PER-PUPIL SPENDING

Total per-pupil expenditures from all sources are projected to be \$11,240 in 2006-07 and \$11,584 in 2007-08, including funds provided for prior year settle-up obligations (see Figure K12-04).

HOW SCHOOLS SPEND THEIR MONEY

Figure K12-05 displays expenditures reported by schools

Figure K12-03
Sources of Revenue for California's K-12 Schools (As a Percent of Total)

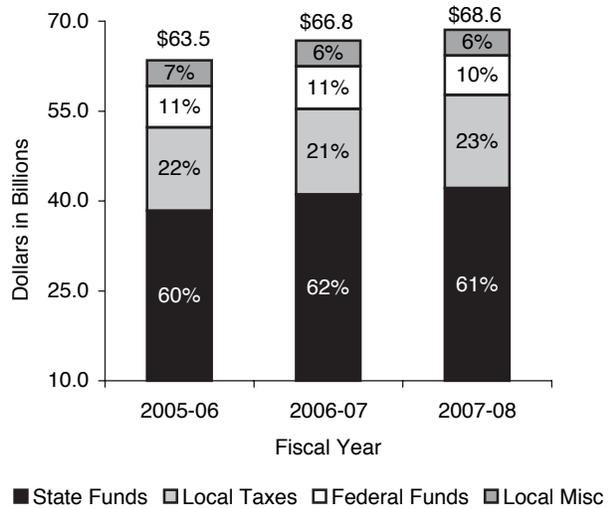


Figure K12-04
K-12 Education Total Spending Per Pupil

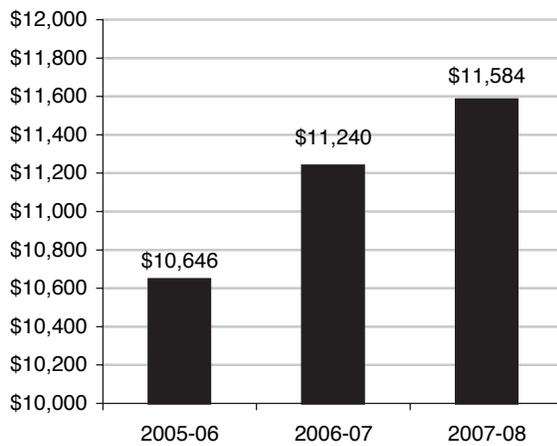
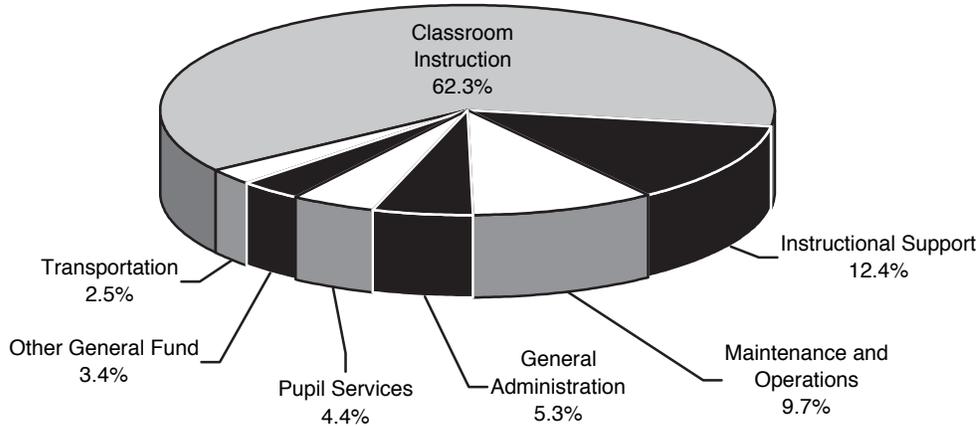


Figure K12-05
Where Schools Spend Their Money*



Classroom Instruction includes general education, special education, teacher compensation, and special projects.
 General Administration includes superintendent and board, district and other administration, centralized electronic data processing, and maintenance and operations for administration.
 Instructional Support includes instructional, school site, and special projects administration.
 Maintenance and Operations includes utilities, janitorial and groundskeeping staff, and routine repair and maintenance.
 Pupil Services includes counselors, school psychologists, nurses, child welfare, and attendance staff.
 Other General Fund includes spending for tuition, facilities, contracts with other agencies, and transfers to and from other district funds.

* Based on 2004-05 expenditure data reported by schools for their general purpose funding.

from their general funds, the various categories of expenditure and the share of total funding for each category.

PROPOSITION 98 GUARANTEE

A voter-approved constitutional amendment, Proposition 98, guarantees minimum funding levels for K-12 schools and community colleges. The guarantee, which went into effect in the 1988-89 fiscal year, determines funding levels according to a multitude of factors including the level of funding in 1986-87, General Fund revenues, per capita personal income and school attendance growth or decline.

Proposition 98 originally mandated funding at the greater of two calculations or Tests (Test 1 or Test 2). In 1990, Proposition 111 (SCA1) was adopted to allow for a third funding test in low revenue years. As a result, three calculations or tests determine funding for school districts and community colleges (K-14). The calculation or test that is used depends on how the economy and General Fund revenues grow from year to year (see Figure K12-06).

For fiscal year 2005-06, Proposition 98 funding was \$53.3 billion (this reflects the guarantee level as recalculated pursuant to the Proposition 98 Settlement Agreement), of which the General Fund share was \$39.6 billion or 74.3 percent. Local property taxes covered the balance. The 2006-07 Proposition 98 funding is estimated to be \$55 billion, a 3.2-percent increase over 2005-06. The General Fund share in 2006-07 is \$40.8 billion or 74.2 percent. These funding levels reflect the decline in attendance and the cost of apportionments.

Proposition 98 funding for 2007-08 is proposed at \$56.8 billion, a 3.3-percent increase over the revised estimate for 2006-07. The General Fund comprises approximately 72.5 percent, or \$41.2 billion of total proposed Proposition 98 funding (see Figure K12-07). The totals include funding for K-12, community colleges and other state agencies that serve students. K-12 Proposition 98 per-pupil expenditures in the Governor’s Budget are \$8,569 in 2007-08, up from \$8,293 in 2006-07.

HOME-TO-SCHOOL TRANSPORTATION

The Budget proposes to shift the fund source for the \$627 million Home-to-School Transportation program from Proposition 98 General Fund to the Public Transportation Account (PTA). This shifts Home-to-School transportation out of the Proposition 98 guarantee, allowing for the guarantee to be rebenchbed downward for General Fund savings of \$627 million. Because available PTA funds are used in lieu of Proposition 98 funds to fund Home-to-School Transportation, this proposal does not result in a reduction to Home-to-School Transportation nor any other Proposition 98 funded program.

Figure K12-06

Proposition 98 Test Calculations

Test 1—Percent of General Fund Revenues

Test 1 is based on a percentage or share of General Fund tax revenues. Historically, school districts and community colleges (K-14) received approximately 40 percent in the 1986-87 fiscal year. As a result of the recent shifts in property taxes to K-14 schools from cities, counties, and special districts, the current rate is approximately 40.96 percent.

Test 2—Adjustments Based on Statewide Income

Test 2 is operative in years with normal to strong General Fund revenue growth. This calculation requires that school districts and community colleges receive at least the same amount of combined state aid and local tax dollars as they received in the prior year; adjusted for enrollment growth and growth in per capita personal income.

Test 3—Adjustment Based on Available Revenues

Test 3 is utilized in low revenue years when General Fund revenues decline or grow slowly. During such years, the funding guarantee is adjusted according to available resources. A low revenue year is defined as one in which General Fund revenue growth per capita lags behind per capita personal income growth more than one-half percentage point. Test 3 was designed so that education is treated no worse in low revenue years than other segments of the state budget.

In years following a Test 3 funding level, the state is required to provide funding to restore what was not allocated the previous year. This is often referred to as a maintenance factor.

Figure K12-07
Proposition 98 Appropriations
(Dollars in Thousands)

	2005-06	2006-07	2007-08
State General Fund	38,358,017	40,812,023	41,189,857
Local Revenue	13,761,557	14,210,346	15,645,203
Total	52,119,574	55,022,369	56,835,060
Distribution:			
Department of Education	46,485,854	48,945,279	50,385,924
California Community Colleges	5,472,403	5,897,062	6,274,142
Department of Corrections and Rehabilitation	45,780	52,964	54,250
State Special Schools	42,567	44,533	44,253
Commission on Teacher Credentialing	31,814	49,881	39,881
Department of Mental Health	18,400	13,400	18,400
Department of Developmental Services	10,217	9,121	8,677
School Facilities Aid Program	7,841	5,786	5,015
American Indian Education Centers	4,698	4,343	4,518
Total	\$52,119,574	\$55,022,369	\$56,835,060
Percentage Share of State General Fund SAL ¹ Revenues and Transfers	42.2%	43.7%	41.5%

¹ State Appropriations Limit, Article XIII B

CHILD CARE SHIFT

The Budget proposes to increase Proposition 98 funding for CalWORKs Child Care by \$269 million. By using available Proposition 98 funds in lieu of federal Temporary Assistance for Needy Families (TANF) Block Grant funds for Child Care, this proposal allows a like amount of TANF funding to be redirected to offset non-Proposition 98 General Fund costs in the CalWORKs program. This proposal does not require a reduction to the CalWORKs program, nor does it reduce child care benefits.

PROPOSITION 98 REVERSION ACCOUNT

The Governor's Budget proposes one-time Proposition 98 Reversion Account funding totaling \$185.9 million appropriated as follows:

- \$100 million for school facility emergency repairs, consistent with the Williams settlement agreement.
- \$43.9 million for charter school facilities.
- \$25.7 million for CalWORKs Child Care.
- \$8.8 million for teacher induction programs.

- \$5 million for California High School Exit Exam study guides.
- \$1.5 million to match private funding for the Partnership for Success pilot project.
- \$1 million to make the Program Improvement Management System available statewide.

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM PURCHASING POWER PROTECTION

The California State Teachers' Retirement System (CalSTRS) administers the Teachers' Retirement Fund, which is an employee benefit trust fund created to administer the State Teachers' Retirement Plan. The State Teachers' Retirement Plan is a defined benefit pension plan that provides retirement, disability and survivor benefits for teachers and certain other employees of the California public school system. The Plan is comprised of three programs: the Defined Benefit Program, the Defined Benefit Supplement Program and the Cash Balance Benefit Program. Within the Defined Benefit Program there is a Supplemental Benefit Maintenance Account (SBMA) that provides purchasing power protection for retired members. The SBMA provides annual supplemental payments in quarterly installments to retired teachers whose purchasing power has fallen below 80 percent of the purchasing power of the initial allowance due to price inflation. Currently, the 80-percent level of supplemental payments is not a vested benefit. This means that if the amount in the SBMA is not sufficient to bring purchasing power up to the 80-percent level, supplemental payments may have to be suspended or paid at a lower level.

The state makes annual General Fund contributions to the SBMA of 2.5 percent of teacher payroll for purchasing power protection. An actuarial analysis performed in 2005 at the direction of the Department of Finance shows that the SBMA has more than enough money to provide purchasing power protection for current and future retired teachers. The Administration is proposing to fully vest the benefit at 80 percent purchasing power protection, which increases the future value of this program for retired teachers. As a result of the funded status of the SBMA, the state will be able to fully vest the purchasing power protection and reduce the state's contributions to the SBMA from 2.5 percent to 2.2 percent of salary for a General Fund savings of \$75 million.

ADDRESSING THE TEACHER SHORTAGE

ENCORPS TEACHERS

As California continues to face a severe teacher shortage, it is crucial that we explore innovative avenues to increase the number of individuals entering the teaching profession,

particularly in the subject areas of math, science and career technical education.

One untapped pool of individuals with subject matter expertise in these areas is the 11 million Californians who will retire by 2008.

As part of a broader effort to bolster supply, the Administration proposes \$10 million to create the EnCorps Teachers Program to add 2,000 experienced retirees to the teaching corps. The EnCorps Teachers Program would establish a public-private partnership with industry and business to actively recruit retiring professionals to the classroom. Professionals recruited by the EnCorps Teachers Program would be supported during the completion of the program by their current employer and use existing California teacher internship programs to acquire the pedagogy necessary to be effective instructional leaders.

TEACHER CREDENTIALING REFORMS

Currently there are 175 different credentials for teachers of career technical education (CTE). The large number of credentials reflects an attempt to identify all industries and trades represented in California's K-12 instructional programs. This attempt to develop a comprehensive set of specialized credentials has had the negative effect of creating an overly complex and bureaucratic credential process for CTE teachers.

To remedy this problem, the Administration proposes introducing legislation directing the Commission on Teacher Credentialing (CTC) to establish a more comprehensive list of authorized subjects for the designated subject preliminary and clear vocational education teaching credentials by September 30, 2007, based upon the 15 industry sectors identified in the California CTE model curriculum standards. Streamlining the CTE credential process will: 1) create incentives for CTE teachers by allowing them to move more easily across subject areas, making CTE teaching a more viable professional choice; 2) provide districts with added flexibility, making it easier for them to hire CTE teachers and expand CTE course offerings; and 3) create a more transparent and approachable credentialing process, thus assisting recruitment efforts.

The Governor's Budget proposes to continue to authorize the CTC to redirect positions to its Credentialing, Assignments and Waivers Division to address the backlog in credential processing. While significant progress has been made during 2006-07, it is critical that the effort continue until the excessive backlog has been eliminated and the processing time restored below the 75-day standard. This will ensure that prospective teachers and the school districts can make timely employment decisions.

PROVIDING ONLINE, USER-FRIENDLY INFORMATION ON SCHOOLS

Over the past decade, the State of California has invested significant resources to collect an increasing amount of data from school districts. From demographic data of students and teachers to student performance and financial expenditures, California school districts collect extensive data and make over 100 reports to the Department of Education and other state educational agencies to meet state and federal reporting requirements.

Even with the plethora of educational data collected by state agencies, there is a dearth of useful information tools for parents, educators and policymakers to draw conclusions about the quality of schools and education in California. The primary reason for the lack of useful information tools about education is the failure to integrate the vast amount of data into pertinent and meaningful ways for parents, educators, the public and policymakers. Too often, collected data proves useful only to those select few who have the time and expertise to bring disparately located data together for analysis. So long as the different data are isolated and unrelated, the vast amount of information about our students and schools cannot be easily and effectively accessed and combined for easy understanding by parents, the public, educators and policymakers.

What is needed in California is an integrated and transparent system that is easily accessible and provides meaningful information to parents, the public, educators and policymakers. To this end, the Administration will be working with the Legislature, Superintendent of Public Instruction and other interested parties to redesign the School Accountability Report Cards so that they are parent-friendly and provide the relevant district and site level information that will allow schools to be compared to one another.

EXPANDING CAREER TECHNICAL EDUCATION

In an ever-evolving economy, Californians need multiple pathways to rewarding and productive careers. The Administration remains committed to expanding opportunities for high school and community college students to take high-quality, academically rigorous career technical education (CTE) courses.

Since the Governor launched his CTE initiative in 2005, the state has made significant investments aimed at reinvigorating CTE programs. As a result of investments beginning in 2005-06, we have begun to restore the capacity and vitality of CTE programs. California is making significant progress in building CTE programs that will provide students with additional options and opportunities and help to meet the changing demands of California business and industry.

The Governor's Budget proposes \$52 million to expand CTE course offerings and programs. These resources include \$20 million in Community College base funding for CTE programs as well as the \$32 million in new funding provided pursuant to Chapter 751, Statutes of 2006 (SB 1133). (For additional information, see the Higher Education Chapter.)

NEW RESOURCES AND TOOLS FOR LOW-PERFORMING SCHOOLS

PROPOSITION 98 SETTLEMENT AGREEMENT

The Budget includes \$300 million to begin payment of the \$2.9 billion in Proposition 98 settle-up obligations for the 2004-05 and 2005-06 fiscal years. Of that amount, \$268 million will be provided to approximately 450 to 500 school sites to meet specific goals such as reducing class sizes, reducing student-to-counselor ratios and providing teacher professional development. Participating schools will be required to accomplish these goals over a three-year period. Up to 15 percent of the funding can be used for research-based alternatives to the goals identified above. Schools will be required to exceed their Academic Performance Index (API) growth targets beginning in the fifth year of program participation.

Community Colleges will receive \$32 million to improve and expand the number of career technical education programs and course offerings in secondary schools and lower division public higher education.

CALIFORNIA PROGRAM IMPROVEMENT MANAGEMENT SYSTEM

Recent research shows that among schools serving similar students, four factors distinguish high-achieving schools from those that are low-achieving. Specifically, high-achieving schools:

- Give the highest priority to student achievement.
- Implement a coherent, standards-based instructional program.
- Ensure availability of sufficient instructional resources such as textbooks, materials and supplies.
- Use assessment data to continually improve student achievement and instruction.

However, many principals at low-achieving schools have had little or no training in the interpretation of assessment data. Among those who have, many are unable to translate the implications into specific actions to improve student achievement and instruction. Even when principals know what steps to take to improve achievement, they may be unaware of the resources available to help them do so.

K THRU 12 EDUCATION

In order to address these problems, the Administration proposes \$1 million to establish the California Program Improvement Management System (Cal PIMS). This system will provide low-achieving schools and school districts a unified intervention program, including research-based programs and virtual coaching, to turn around federal Program Improvement schools or those that are subject to academic intervention by the state.

Specifically, Cal PIMS will optimize the capability of coaches, principals and teachers to:

- Use assessment data to target areas for intervention.
- Access up-to-date information on federal and state accountability requirements.
- Use tools, structures and relevant research to respond to these requirements.
- Access recommended steps and processes to build a sustainable action plan to accelerate student achievement.

SCHOOL ENRICHMENT BLOCK GRANT

A healthy school environment that is conducive to student learning not only increases pupil achievement, but allows for effective schoolsite leadership and the recruitment and retention of qualified teachers. To continue progress made on improving the educational environment and culture of schools in the lowest three deciles of the Academic Performance Index over the past two years, the Governor's Budget proposes \$50 million in one-time funding to continue the Low-Performing School Enrichment Block Grant for a third year. These funds are available for activities including: (1) assuring a safe, clean school environment for teaching and learning; (2) providing support services for students and teachers; (3) creating incentives, including differential pay, to help recruit and retain highly qualified teachers and highly skilled principals; (4) fostering small group instruction; and (5) giving teachers and principals time to work together to improve academic outcomes for students.

PREPARING STUDENTS TO GRADUATE FROM HIGH SCHOOL

CAHSEE INTERVENTION MATERIALS

The California High School Exit Exam (CAHSEE), a cornerstone of the state's accountability system, helps to ensure that all students graduate from high school with at least the basic knowledge and skills needed in the workplace and in life. With each administration of the exam, increasing numbers of students are demonstrating their competency in reading, writing and mathematics. The CAHSEE plays a vital role in helping to identify students who are struggling so they can get the targeted assistance they need to succeed. As a result,

an unprecedented level of resources and attention has been focused on assisting at-risk high school students.

The Governor's Budget proposes \$5 million for school districts to purchase individual intervention materials for students who have failed or are at risk of failing the CAHSEE. These materials include customized on-line tools to help students and teachers target remediation efforts. By tailoring interventions to a student's individual needs, the materials optimize the student's likelihood of success. Staff development support for teachers is provided in conjunction with the materials. Funding for these materials was first provided in the 2006 Budget Act.

PARTNERSHIP FOR SUCCESS

To increase the number of students academically prepared to succeed in college, the Administration proposes expanding an innovative private-public partnership model that promises financial assistance for higher education costs to students who commit to completing a rigorous college-preparatory program. The Partnership for Success would provide grants totaling \$1.5 million to fund three partnerships between local school districts and a CSU campus. These partnerships will develop RoadMaps for participating students to guide them through middle and high school to ensure they complete the A-G course offerings necessary to meet CSU entrance requirements. The CSU campus would guarantee admission for students that complete the RoadMap and, once admitted, provide students with additional support including assistance in developing a plan for completing course requirements to ensure degree completion within four years. Additionally, Partnership for Success fosters a college-going culture among students and parents by exposing them to the CSU campus through site visits, mentoring and tutoring and ongoing communication with the university.

IMPROVING STUDENT HEALTH

Last year, in keeping with its commitment to promote student health and combat childhood obesity, the Administration proposed to increase the state reimbursement rate for School Nutrition Program meals and remove unhealthy fats and fried food from student meals. Unfortunately, the resulting legislation did not meet the Administration's goals and was vetoed.

The Administration continues to support an increase in the meal reimbursement rate along with legislation that will eliminate unhealthy fats and fried food from school cafeteria menus.

The Administration would like to see schools use their increased reimbursement rates to purchase and prepare healthier food for their students.

OTHER POLICY ISSUES

LOANS FOR NATIONAL FOREST AREA SCHOOLS

Rural communities often have difficulty providing educational programs for youth because they cannot benefit from economies of scale. For several years, the federal government has aided local education agencies in national forest areas. Because a sunset provision in federal law was not extended, this support was not provided in the current year.

In order to mitigate the short-term hardship for rural schools that have come to depend on this support, the Administration proposes a short-term \$69 million current year General Fund loan to backfill the loss of federal aid. Our understanding is that Congress intends to renew this funding relatively early in its next session, so the districts will be able to repay the state loans in the budget year.

CHARTER SCHOOL FACILITY GRANTS

To ensure that pupils from low-income families have access to high-quality educational alternatives, the Budget proposes \$43.9 million from the Proposition 98 Reversion Account to fund the Charter School Facility Grant Program. This program mitigates the cost of leasing facilities for charter schools that serve predominantly low-income populations. Of the funds to be provided, \$20 million is intended to reimburse qualifying facility costs for 2006-07 while the remaining \$23.9 million will serve as an advance on budget year costs.

MEETING CALIFORNIA'S INFORMATION NEEDS

Timely and accurate information is increasingly critical in the education decision making process at all levels, from local schoolsite decisions to decisions made at the federal level and the Administration remains committed to enhancing the quality of data available on the state's student population and the teacher workforce. To support this effort, the Governor's Budget proposes \$2.5 million from state and federal funding sources to support state-level activities necessary to continue the development of the California Longitudinal Pupil Achievement Data System (CalPADS). The Governor's Budget proposes \$1.1 million in federal Title II funding to support state-level activities at both the Department of Education and the Commission on Teacher Credentialing to continue the development of the California Longitudinal Teacher Integrated Data Education System (CalTIDES).

CHIEF BUSINESS OFFICER TRAINING

The Chief Business Officer (CBO) Training Program was established in 2005 to provide CBOs and CBO candidates with training in the skills and knowledge required to successfully administer school district budgets. Participants receive rigorous instruction in school finance, school operations and leadership for a period of at least 200 hours. The program was designed as a three-year effort to train over 1,000 CBOs. Priority for participation in the program goes to candidates nominated by school districts that have recently experienced fiscal distress. The 2005-06 Budget Act provided \$1.1 million to fund the first cohort of 350 participants. The Governor's Budget proposes \$2.5 million to fund training for 700 additional candidates, completing the objectives of the program.